



County of San Diego

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TO: Supervisor Bill Horn, Chairman
Supervisor Ron Roberts, Vice Chairman
Supervisor Greg Cox
Supervisor Dianne Jacob
Supervisor Pam Slater-Price

FROM: Walter F. Ekard
Chief Administrative Officer

HIGHLIGHTS OF THE ENACTED FY 2011-12 STATE BUDGET AND POTENTIAL COUNTY IMPACTS

On June 28, 2011 the FY 2011-12 budget bill was passed by the Legislature and signed by Governor Brown the next day. In the process of signing the budget, the Governor vetoed \$23.8 million in state general fund spending that had been approved by the Legislature. In the two weeks that followed the Governor's action on the main budget bill he signed 19 budget trailer bills.

In February, the Administration estimated the budget deficit at \$26.6 billion. As a result of a number of cuts adopted in March combined with increased state revenue estimates of \$6.6 billion, the Governor projected in May a budget gap of \$9.6 billion.

The Enacted FY 2011-12 Budget seeks to eliminate the budget deficit, and has been deemed balanced due to a combination of spending cuts, reductions and shifts as well as optimistic assumptions of an additional \$4 billion in new revenue. Additionally, the Enacted Budget includes the elimination of redevelopment agencies, the enactment of a fee on properties within the State Responsibility Areas and cuts to health and human services programs. The Enacted Budget also provides for a series of cuts that would be triggered should revenues fall short of expectations

The Enacted Budget includes \$5.6 billion in funding for the realignment of public safety and health and human services programs to counties. Among the components of realignment that will have the greatest impact to San Diego County is the shift of responsibilities for offenders from the state to the counties. Under realignment lower-level offenders will begin to be sentenced, housed, supervised and treated locally. When lower-level offenders are released from state prison they will also be supervised by the county. While funding has been provided in the Enacted Budget for this realignment, the funding is only for one year

and the amount is likely not sufficient to manage this new population of offenders locally. The adopted budget plan does not include a constitutional amendment guaranteeing funding for counties in future years. Governor Brown has stated that he plans to seek voter approval of a ballot measure in November 2012 that would provide constitutional protection for public safety realignment.

A large part of the expenditure reductions in the budget the Governor originally proposed in January consisted of various cuts to the Medi-Cal program and decreases in state funding for CalWORKs. Many of those cuts were chaptered into law in March; the Enacted Budget maintains those reductions and makes additional state funding reductions to Medi-Cal and In Home Support Services (IHSS) programs. The Enacted Budget also includes a reduction in the number of state employees, the elimination of the State Department of Mental Health and the merging of the Healthy Families children into the Medi-Cal Program, as well as the elimination nearly two dozen state boards and commissions.

The attached document includes highlights of the FY 2011-12 State Budget as enacted and potential impacts to the County of San Diego.

Respectfully,

A handwritten signature in black ink, appearing to read 'Walter Ekard', written in a cursive style.

WALTER F. EKARD
Chief Administrative Officer

Attachment

cc: ACAO, CSG, FGCG, HHSA, LUEG, PSG, CNL, CLK

**ENACTED FISCAL YEAR 2011-12 STATE BUDGET
POTENTIAL IMPACTS ON THE COUNTY OF SAN DIEGO**



MISCELLANEOUS BUDGET

State Budget Deficit (*Governor's Enacted Budget Summary, Page 1*)

- The adopted budget closes an estimated budget gap of \$26.6 billion – achieved by a combination of \$15 billion in expenditure reductions, targeted revenue increases of \$0.9 billion and other solutions of \$2.9 billion. The remaining \$8.3 billion in changes are from the improvement in the state's revenue outlook.
- The Governor used his line item veto authority to reduce state expenses by \$23.8 million thereby increasing the state's year-end reserve to \$543 million.

Revenue Outlook (*Governor's Enacted Budget Summary, Page 4*)

- The May Revision recognized \$6.6 billion in higher tax receipts compared to the Governor's Proposed Budget in January. The Governor's Administration projected that tax receipts would continue to come in higher than expected by an estimated \$1.2 billion in May and June.
- The Enacted Budget projects an additional \$4 billion in estimated 2011-2012 revenues.
- The State Controller announced on July 11, 2011 that revenues for May and June came in at \$849 million which is below the Administration's estimate of \$1.2 billion.

Trigger Cuts (*Governor's Enacted Budget Summary, Pages 4 & 5; SB 73*)

- If projected revenues fall short of expectations the Enacted Budget includes a list of two tiers of trigger cuts that would be implemented beginning in January 2012.
- Tier 1 cuts totaling \$601 million would be implemented if projected revenues fall short of estimates by more than \$1 billion:
 - Unallocated reduction to the University of California
 - Unallocated reduction to California State University
 - Eliminate state grants for local libraries (**See Community Services section of this document**)
 - Additional reduction to the Department of Developmental Services
 - In Home Supportive Services (IHSS)—20 percent reduction in service hours (**See Health and Human Services section of this document**)
 - IHSS—eliminate funding for local anti-fraud efforts (**See Health and Human Services section of this document**)
 - Medi-Cal—extend provider cuts and co-payments to all managed care plans
 - Unallocated reduction to the Department of Corrections and Rehabilitation (CDCR)
 - Juvenile Justice—increase in the county charge for youthful offenders sent to CDCR (**See Public Safety section of this document**)
 - Eliminate vertical prosecution grants (**See Public Safety section of this document**)
 - Proposition 98—\$10 per unit community college fee increase
 - Child Care—4 percent across-the-board reduction (**See Health and Human Services section of this document**)
- Tier 2 cuts totaling \$1.9 billion would be implemented if projected revenues fall short of estimates by more than \$2 billion:
 - Proposition 98 – reduce the K-12 school year by 7 days
 - Proposition 98 – reduce community college appointments
 - Proposition 98 – eliminate home-to-school transportation

Ballot Measure (*Governor's Enacted Budget Summary, Page 6*)

- The Governor's Administration plans to seek voter approval of a ballot measure by November 2012 to better position California to seek a constitutional amendment to protect public safety realignment.

REALIGNMENT

Realignment (*Governor's Enacted Budget Summary, Page 2; SB 89, AB 109, AB 117, AB 118*)

- The Enacted State Budget restructures the state-local relationship by realigning government services in California through shifting authority and responsibility for programs and offenders from the state to local government.
- Programs and offender populations that shift from the state to local government include:
 - Court Security (**See Public Safety section of this document**)
 - Various Public Safety Programs and subventions (**See Public Safety section of this document**)
 - Certain Lower-level Offenders and Parole Violators (**See Public Safety section of this document**)
 - Adult Offenders subject to Post Release Community Supervision (**See Public Safety section of this document**)
 - Juvenile Justice Programs – programs previously realigned to counties (**See Public Safety section of this document**)
 - Mental Health Services Substance Abuse Treatment
 - Foster Care and Child Welfare Services
 - Adult Protective Services
- The Enacted State Budget shifts 1.06 percentage points (an estimated \$5.1 billion) of existing sales taxes to a special revenue fund known as the Local Revenue Fund 2011. In addition, \$453.3 million in Vehicle License Fees are directed to this fund (\$300 million redirected from DMV administration now supported by a new \$12 vehicle registration fee, \$100 million in current revenues redirected from cities and \$50 million redirected from an allocation to Orange County).
- Provides base restoration for VLF Realignment accounts for FY 10-11 (SB 89). The recent passage of SB 94, which delayed notification of vehicle registration renewals by the Department of Motor Vehicles (DMV) for those whose vehicle registrations are due on or after July 1, 2011, had an unintended adverse affect on current year VLF receipts which fund Realignment. SB 89 mitigates this impact and ensures future VLF revenue is first applied to FY 10-11 to meet its base allocation amount.
- Estimated amounts per program are included in the Enacted Budget Summary; however, actual amounts allocated will depend on sales tax receipts and vehicle license fee revenues.
- Until local governments fully take on all public safety responsibilities detailed in AB 109 and AB 117, certain realignment revenues would be allocated to the state to pay for its costs to continue operating the realigned programs.
- The effective date for realignment of health and human service programs was July 1, 2011. The implementation date of the prisoner transfer from the state to local government is October 1, 2011.
- AB 118 outlines the financial structure for allocating funds to a variety of programs for realignment.
 - Establishes the Local Revenue Fund 2011 for the purpose of receiving revenues and continuously appropriates funds from this account to counties.
 - The establishment of a subaccount for each realigned program, with funding of a specified amount being allocated to each subaccount.
 - The allocation methodology of revenues for the first year (FY 2011-12)
 - The establishment of a reserve account, should sales tax revenues come in higher than expected, - will be allocated to entitlement programs.
 - The methodology for swapping 1991 realignment funding for community mental health for a higher share of CalWORKs grant funding. This is anticipated to be cost neutral to all counties. The increased share of grants has yet to be provided.
- The Administration has promised to work with key stakeholders over the summer to work out the on-going details for the realignment plan. A forthcoming realignment trailer bill is anticipated later this legislative session that will provide any necessary clean up language or further implementation details. No constitutional protections have been passed to ensure sufficient funding and other guarantees to counties for the realigned programs. The Administration asserts its support of these provisions and promises to work towards getting protections in place, but the earliest it may occur is in November 2012.
- The Community Corrections Partnership (CCP) will recommend an AB 109 implementation plan to the Board of Supervisors concerning the transfers of responsibilities described below. Funding for these programs is allocated from the Local Revenue Fund 2011. Allocation amounts for the Local Community Corrections account as adjusted for the start date of October 1, 2011 are estimated by the State to be \$25.1 million for San Diego County.

- The composition and duties of the CCP and its Executive Committee, as previously enacted in AB 109, were further revised in enacted budget action contained in AB 117.
 - The CCP Executive Committee is to include the following seven members: 1) chief probation officer as chair; 2) presiding judge or designee; 3) district attorney; 4) public defender; 5) sheriff; 6) a chief of police; 7) one of the following: the head of the county department of social services, mental health, or alcohol and drug substance abuse programs, as designated by the board of supervisors.
 - The Executive Committee votes on the final AB 109 implementation plan that is to be presented to the board of supervisors.
 - Provides that the board of supervisors can reject the AB 109 implementation plan as submitted by the CCP with a four-fifths vote of the board; if the plan is rejected, it is referred back to the entire CCP for revision.
 - Gives the Board of Supervisors the flexibility to appoint a designee (other than the Chief Administrative Officer or a board member) to the 14-member CCP.
- One time planning amounts of \$25 million statewide are authorized in SB 87 to cover costs associated with hiring, retention, training, data improvements, contracting costs, and capacity planning pursuant to each county's AB 109 implementation plan. Additionally, each county will receive a one-time grant (\$200,000 for San Diego County) for purposes of supporting the Community Corrections Partnership in developing its implementation plan.

COMMUNITY SERVICES

Redevelopment (ABX1 26 and ABX1 27)

- Redevelopment agencies (RDAs) in California are eliminated and will be legally dissolved, effective October 1, 2011, unless the sponsoring city or county elects to continue redevelopment in the Voluntary Alternative Redevelopment Program (VARP).
- Upon dissolution of RDAs:
 - A successor agency such as a city or county will be responsible for retiring current redevelopment debt obligations and existing contracts.
 - All pass-through agreements are preserved.
 - Tax increment revenues and RDA assets, including housing set-aside fund balances, that are not necessary to retire obligations and contracts will be distributed to local taxing agencies, such as cities, counties, special districts, and schools, according to existing percentages.
- If VARP option to continue redevelopment is elected:
 - The sponsoring city or county must pass an enabling ordinance by November 1, 2011.
 - The sponsoring city or county (not the redevelopment agency) must make payments to local schools:
 - In FY 11-12, the statewide total is \$1.7 billion.
 - In FY 12-13 and thereafter, the statewide total is \$400 million.
 - The subsequent years' payments are not fixed and may be altered by future legislation.
- Further cleanup legislation is anticipated, as is litigation from the California Redevelopment Association.
 - County Impact
 - In FY 11-12, the preliminary estimates if all redevelopment agencies in San Diego County are dissolved are as follows:
 - General Fund—Estimated additional revenue of approximately \$8 million.
 - Library Fund—Estimated additional revenue of approximately \$270,000.
 - County Redevelopment Agency—Tax increment revenue will be received only to repay debt or existing contractual obligations. No housing set-aside payments would be made.
 - Upper San Diego River Improvement Project Area—Loss of approximately \$1.1 million in tax increment revenue, based on existing debt and contractual payments of \$600,000.
 - Gillespie Field Project Area—Loss of approximately \$1.5 million in tax increment revenue, based on existing debt and contractual payments of \$1.1 million.
 - Low-Income Housing Program—Loss of approximately \$865,000 in tax increment revenue set aside for low-income housing in the two Project Areas.

- Up to \$250,000 in additional tax increment could be collected to pay for the successor agency's costs to administer the Redevelopment Agency's dissolution.
- If the County elects to continue redevelopment with the VARP option, all redevelopment activities and revenues will survive intact. Payments to local schools of approximately \$1.3 million in FY 11-12 and \$308,000 annually thereafter, however, must be made using County sources other than the Redevelopment Agency, such as the General Fund or other County funds. The County RDA may reimburse whichever fund provided the continuation payments, but the reimbursement must be used for projects within the USDRIP and Gillespie Field Project Areas.
- If the Vista, Southwestern, and Poway RDAs elect to continue with the VARP option, their payments made to the General Fund and the Library Fund will be lower due to reduced tax increment used in the computation of their respective pass-through amounts as defined in the terms of tax sharing agreements:
 - Vista RDA—\$662,000 in payments to the County General Fund and \$107,000 in payments to the County Library
 - Poway RDA—\$2.6 million in payments to the County General Fund and \$130,000 in payments to the County Library
 - Southwestern RDA—\$158,000 in payments to the County General Fund
- Impacts in subsequent years, as RDAs' debt and contracts are paid off, cannot be determined at this time. In addition, no estimate can be made of the number of redevelopment agencies that will elect continuation over dissolution.

Libraries (SB 87, Page 728, Sections 6120-211-001, 6120-213-0001, and 6120-221-0001)

- The Enacted Budget includes \$15.2 million in funding for local library assistance programs, a cut of approximately 50%. \$8.5 million was designated for the California Library Services Act (Transaction-Based Reimbursement and funding for the regions, and a suitable baseline to allow the State Library to comply with the federal match requirements), \$3.7 million for the California Library Literacy Services program, and \$3 million for the Public Library Foundation.

County Impact

- A reduction of approximately 50% in state funding for County of San Diego Library Services. This translates into a \$272,625 revenue loss in FY 2011-12 due to reduction in Public Library Foundation funding. The loss in revenue may result in an overall loss of services to the public, such as longer wait times and fewer staff to answer questions, as well as impact County library services available to clients, including the purchase of new books and materials
- Library funding is subject to the Tier I Trigger and will be eliminated if State revenues are not projected by the Legislative Analyst's Office to meet a specific amount in November 2011 (**See Miscellaneous Budget section of this document**).

Elections (SB 87, Page 715, Section 6110-295-000)

- The Enacted Budget suspends most mandates not related to public safety or property taxes, including election-related mandates. Election-related SB 90 claims are for voter registration, absentee ballots, and permanent absentee voters.

County Impact

- \$1.5 – \$1.8 million in unreimbursed elections costs per year.

FINANCE AND GENERAL GOVERNMENT

State Mandates (Governor's Enacted Budget Summary, Pages 46-47)

- The Enacted State Budget suspends most state mandates not related to law enforcement or property taxes and defers pre-2004 mandate obligations (SB 87). While the Governor's January proposal calculated for a reduction of \$227.8 million in FY 2011-12 as a result of suspending most mandates, and the May Revision estimated the amount at \$228.3 million, the amount listed in the Enacted State Budget is \$233.5 million.

County Impact

- The County is subject to several of the election-related mandates that are subject to suspension in the Enacted Budget. (**See Community Services section of this document**).

- The suspension of Open Meetings Act/Brown Act Reform mandates will result in a loss of more than \$75,000 in reimbursable costs, based on the most recent claims filed by the County.
- Pre-2004 mandate obligations are deferred for a one-time reduction of \$94 million in the FY 2011-12 state budget.

County Impact

- The state currently owes the County more than \$34 million in pre-2004 mandate payments. The Enacted Budget defers the repayment of this obligation for one year. According to Proposition 1A, this obligation must be paid by FY 2020-21.

Williamson Act Program (*Governor's Enacted Budget Summary, Page 49*)

- In March 2011, the Legislature and Governor eliminated funding for Williamson Act subventions (SB 80).

County Impact

- The County of San Diego currently has 61,000 acres under Williamson Act contracts. This acreage equates to an approximate assessed value of \$1.7 million in property tax. Until FY 2008-09, the County received some subvention funding from the state to supplement the loss of total property tax from those lands. The County last received a subvention payment in FY 2008-09 and it was for \$79,721 (equating to a loss of \$1.62 million in assessed value). Since then, the County has received no Williamson Act subvention funding. There is no new budgetary impact to the County for FY 2011-12 from the elimination of funding for Williamson Act subventions since the County no longer budgets the \$79,721 in revenue. Furthermore, as a result of the lack of funding in the last several years, the Board of Supervisors adopted a temporary suspension for new contracts through 2015 or until state funding is resumed.
- Currently, existing contracts are allowed to continue.

HEALTH AND HUMAN SERVICES

First 5 San Diego (Proposition 10 Funding) (*Governor's May Revision Budget Summary, Pages 4 & 62; AB 99*)

- In March the Legislature and Governor adopted a proposal to shift \$1 billion in Proposition 10 funds to fund Medi-Cal services for children through age five (AB 99, March 2011).
- The Enacted Budget restores this funding due to ongoing litigation, which the Senate and Assembly supported.

County Impact

- As litigation is pending, First 5 San Diego is holding \$88.3 million in reserves (as a funding loss) pending the outcome. If the litigation is still pending, or if the state is successful in the litigation, First 5 San Diego must send the funds to the state by June 30, 2012.

Mental Health Services (*Governor's Enacted Budget Summary, Pages 31 & 39; AB 102; AB 114*)

- The Enacted Budget includes a one-time shift of \$861.2 million in FY 2011-12 from counties to schools to fund Early Periodic Screening, Diagnosis, and Treatment (EPSDT), mental health managed care programs, and mandated mental health services for special education students (AB 3632). This includes residential care being permanently transferred from the counties to the local schools effective July 1, 2011. School districts can contract with counties to provide services using Mental Health Services Act (MHSA) (Proposition 63) funds on a one-time basis in 2011-12.

No County Impact

- Funds will come from surplus at the state.

In-Home Supportive Services (IHSS) (*Governor's Enacted Budget Summary, Pages 5 & 32; SB 72; SB 73*)

- The Enacted Budget adopted the following major solutions:
 - Requires the provision of IHSS to be contingent upon a written certification from a licensed health care professional that personal care services are necessary to prevent out-of home care.

Local Impact

- Approximately 2,350 clients could lose IHSS services.

County Impact

- Potential of \$1.98 million in county savings. Administrative staff time will increase due to processing and tracking certifications.

- Assumes that the state will receive a 6 percent increase in federal matching funds by exercising a federal option for home and community-based attendant services benefiting all IHSS federally eligible recipients (\$128 million in state funding reduction).

Unknown Local Impact

- Implements a pilot project that would utilize automated medication dispensing machines with associated telephonic reporting services for monitoring and assisting Medi-Cal recipients with taking prescribed medications (\$140 million in state funding reduction).

Unknown Local Impact

- An undetermined number of IHSS recipients may utilize the automated medication dispensing machines.

Unknown County Impact

- Eliminate state funding for IHSS Advisory Committees (\$1.5 million state funding reduction).

County Impact

- Loss of \$52,900 in state and federal funding and elimination of the local advisory committee with duties potentially transferring to the Aging and Independence Services Advisory Council.

- The Enacted Budget includes two Tier 1 Trigger Reductions related to IHSS, should projected revenues fall short of expectations. **(See Miscellaneous section of this document)**

- 20 percent reduction in IHSS service hours resulting in a \$100 million state funding reduction

County Impact

- Potential of \$2.94 million savings in county funds.

- Elimination of funding for local anti-fraud efforts resulting in a \$10 million state funding reduction

County Impact

- Potential reduction of \$1.45 million in state IHSS Anti-Fraud grants with a \$0.2 million savings in county funds.

Aging Programs (SB 87, Page 353)

- The Enacted Budget includes an 11 percent reduction to the Multipurpose Senior Service Program (MSSP).

Local Impact

- Approximately 68 clients could lose services.

County Impact

- This will result in a state funding reduction of approximately \$0.3 million.

Adult Day Health Care (ADHC) (Governor's Enacted Budget Summary, Pages 28-29; AB 97; SB 87)

- The Enacted Budget eliminates the optional Adult Day Health Care program for a state savings of \$169.6 million. (AB 97)
- The Enacted Budget includes an increase of \$85 million to provide funding for ADHC transition assistance and other long-term care services. (SB 87)

Local Impact

- Approximately 1,450 IHSS clients currently receive ADHC. These clients may need to be reassessed to determine if IHSS services need to be increased. Other ADHC clients may also need to be assessed for IHSS.

Child Care (Governor's Enacted Budget Summary, Pages 4-5, 38 & 40; SB 70; AB 114)

- The Enacted Budget includes the following major solutions related to child care:
 - Effective July 1, 2011, reduces license-exempt provider rates from 80 percent to 60 percent of license provider rates. This would result in a \$44.1 million in state funding reductions.

Local Impact

- This will reduce income to providers in San Diego County by approximately \$1.9 million per year.

- Restored Stage 3 Child Care funding starting April 2011 through FY 2011-12.

Local Impact

- This will extend eligibility for subsidized child care services to former CalWORKs recipients who have been off-aid for over 24 months and continue to meet income eligibility.

- Eliminated funding for the Centralized Eligibility Lists (CEL) for FY 2011-12.

Local Impact

- Clients will no longer have a single place to register for all California Department of Education subsidized child care programs.

- The Enacted Budget includes a Tier 1 Trigger Reduction related to Child Care, should projected revenues fall short of expectations. **(See Miscellaneous section of this document)**
 - 4 percent across-the-board reduction

County Impact

- A minimal impact on the County is anticipated.

CalWORKs (*Governor's Enacted Budget Summary, Pages 3 & 31-32; AB 106; SB 72, SB 87*)

- Effective June 1, 2011, the Enacted Budget reduces the time limit for adults to receive CalWORKs aid from 60 months to 48 months with certain exceptions. Child-only benefits would continue beyond the 48 month time limit for families fully meeting work participation requirements as well as families with unaided adult recipients of Supplemental Security Income/State Supplemental Payment (SSI/SSP) and non-needy caretaker relatives. This would result in a reduction of \$102.6 million in state funding.

Local Impact

- As of April 2011, approximately 2,200 cases with an average grant amount of \$538 will reach 48 months on CalWORKs.
- Approximately 12,190 child-only cases do not contain an SSI/SSP parent. An unknown number of these cases could be affected.

County Impact

- This will result in approximately \$400,000 in County savings due to the decrease of a minimum of \$14.2 million in aid payments.
- Effective June 1, 2011, reduces CalWORKs grants by 8 percent. The maximum monthly grant for a family of three will be reduced from \$694 to \$638. CalFresh (formerly Food Stamp) benefit levels will increase, thereby reducing the impact to families' total resources. This would result in a reduction of \$314.3 million in state funding.

Local Impact

- This will impact approximately 32,450 CalWORKs cases. This reduction will also have an impact on the relative caretakers of foster children. The average grant would be reduced from \$538 per month to \$495 per month for a decrease of \$16.7 million in aid payments.

County Impact

- This would result in approximately \$400,000 in County savings.
- Extends for one year the reduction in the county single allocation for employment services and Stage 1 Child Care that has been in place since FY 2009-10. Recent changes in law implemented a deeper reduction to the county single allocation and provided additional county flexibility by authorizing an extra exemption for adult recipients from work participation requirements. AB 106 restored \$50 million to the single allocation, reducing the total unallocated reduction from \$427 million to \$377 million (the original amount of the reduction in 2009-10 and 2010-11 and resets the exemptions to those originally provided to meet the \$377 million reduction).

No County Impact

- Reduction in the amount of income that is not counted for the purposes of calculating a family's monthly CalWORKs grant. The income disregard will be modified to not count the first \$112 of monthly earned income and 50 percent of each dollar earned beyond \$112. This would result in a reduction of \$83.3 million in state funding.

Local Impact

- Approximately 8,000 families are receiving the current earned income disregard and could possibly have a reduction in CalWORKs payments. An additional 520 cases with disability-based unearned income could also be impacted.
- Suspend for one year the Cal-Learn program, which provides intensive case management, supportive services, and fiscal incentives and disincentives to encourage teen parents to earn a high school diploma or equivalent degree. This will result in a reduction of \$43.6 million in state funding.

County Impact

- Potential loss of \$1.4 million. These services are provided through a county contract. As of March 2011, 480 Cal-Learn teens will be impacted by this change.
- Reduce the amount of funding for counties to provide mental health and substance abuse services. This would result in a reduction of \$5 million in state funding.

County Impact

- Potential reduction of \$250,000 for Mental Health Services and Alcohol and Drug Services.

Child Welfare Services (SB 87)

- The Enacted Budget restores \$19 million originally proposed to be cut from the Transitional Housing Placement Plus (THP- Plus) program which provides affordable housing and comprehensive supportive services for up to 24 months to help former foster care and probation youth ages 18 to 24 make a successful transition from out-of-home placements to independent living.

Healthy Families (Governor's Enacted Budget Summary, Page 30; AB 97; AB 102)

- The Enacted Budget includes the following cuts in Healthy Families (AB 97, March 2011):
 - The Vision Benefit Cost Containment proposal will result in lower plan rates for vision services (\$3.3 million in state funding reductions).
 - Increased monthly premiums for families with income at or above 150 percent of federal poverty level (\$22.8 million in state funding reductions).
 - Increasing co-payments for emergency room visits and inpatient stays (\$4.9 million in state funding reductions).
 - California currently taxes managed care organizations and uses these revenues to draw down federal funds, to fund rate increases in Medi-Cal, and to provide health coverage in Healthy Families. This proposal will extend the statutory authority to December 31, 2013 to collect taxes assessed on Managed Care Plans (\$103.3 million in state funding reductions).

Local Impact

- Increasing costs to individuals and limiting services could result in financial and medical hardship to California Children's Services families. This proposal may have an indirect impact to populations serviced in Child Health and Disability Prevention (CHDP) and Maternal, Child and Family Health programs.

County Impact

- Potential for increased costs for California Children's Services.

Medi-Cal (Governor's Enacted Budget Summary, Pages 3, 5, 28-29; AB 97; AB 102; SB 73; SB 90)

- The Enacted Budget provides an unallocated reduction of \$448 million to Medi-Cal and Healthy Families Program. No details are available.
- The Enacted Budget extends the existing hospital fee for one year, through June 30, 2012, which will save \$320 million in Medi-Cal (SB 90).
- The Enacted Budget includes a state funding decrease of \$95.2 million in 2010-11 by asking designated public hospitals (DPHs) to use surplus certified public expenditures (CPEs) and provide that to the state General Fund. The rationale is that since counties are voluntarily applying for the Low Income Health Program (LIHP) under the Medicaid Section 1115 Demonstration Waiver, the state may include additional rules to follow. This change would require federal approval.
- The Enacted Budget includes a state share of Inter-Governmental Transfers resulting in a state funding decrease of \$34.2 million in 2011-12 due to increased reimbursements received from seventeen counties that operate Medi-Cal managed care plans. Under this proposal, the state would assess a fee equal to 20 percent of the transferred funds and the remaining funds would be used to match federal funds to provide rate increases. (AB 102)
- The Enacted Budget includes the following reductions to Medi-Cal (AB 97):
 - Limits utilization of services such as setting a maximum annual benefit dollar cap on hearing aids and limiting the number of doctor visits to seven per year prior to physician authorization. Pending federal approval. Changes to take effect October 1, 2011.
 - Requires beneficiaries to share in the cost of services such as increasing physician, clinic, dental, emergency room, and pharmacy co-payments. These changes would take effect November 1, 2011, based on the time needed to obtain federal approvals and provide necessary beneficiary and provider notification.
 - Eliminates Adult Day Health Care, coverage of over-the counter cough and cold medications, and restricts supplemental nutrition products.
 - Reduces Medi-Cal Provider payments by 10 percent for physicians, pharmacy, clinics, medical transportation, home health, family health programs, certain hospitals, long-term care facilities, and nursing facilities. This proposal would require federal approval of a state plan amendment.

Local Impact

- Increasing costs to individuals and limiting services could result in financial and medical hardship.

- Limits on the number of visits and co-payments could negatively impact children in Foster Care, particularly those that are medically fragile or severely disabled, as well as approximately 80 Public Guardian conservatees.
- Reducing provider payments may decrease the number of providers willing to accept Medi-Cal, creating a burden on the local safety net of care.

County Impact

- The County will have to continue the administration of the Medi-Cal program at the current allocation level.
- Some California Children's Services (CCS) families on Medi-Cal may not be able to afford the share of cost and shift to straight CCS, which would increase the County's share of the client's costs by 50 percent.
- Historically, this proposal has been subject to court injunctions. Edgemoor is waiting for further clarification regarding the potential impacts of the 10 percent reduction. Potential loss of \$4.4 to \$6.5 million in rate reduction to Edgemoor.
- The Enacted Budget includes a Tier 1 Trigger Reduction related to Medi-Cal, should projected revenues fall short of expectations (SB 73) **(See Miscellaneous section of this document)**.
 - Extended provider payment cuts to all managed care plans

No Local Impact

Veterans' Services (Governor's Enacted Budget Summary, Page 47; SB 69)

- In March 2011, the Legislature and Governor cut \$7.3 million to reduce state operations for veterans' services and local assistance to County Veterans Services offices.

Local Impact

- An unknown number of clients may receive reduced services.

Supplemental Security Income/State Supplemental Payment (SSI/SSP) (Governor's Enacted Budget Summary, Page 32; SB 72)

- The Enacted Budget reduces SSP grants for individuals to the required federal minimum payment standard. With this reduction, the maximum monthly SSI/SSP cash grant for individuals would be reduced by \$15 per month (from \$845 to \$830, for a \$178.4 million reduction in state funding). Cash Assistance Program for Immigrants (CAPI) payment standards are directly linked to SSI/SSP standards so this will mean a corresponding decrease in cash assistance to CAPI recipients.

Local Impact

- This proposal may impact up to 265 children that are in the Foster Care system and receive SSI benefits.
- Reduction in income to 247 elderly/disabled immigrant cases.
- These individuals may potentially be eligible for CalFresh.
- Reduction in SSI cash grants may result in having to move conservatees to lower rent residence.

Unknown County Impact

- Reductions in SSI cash grants may result in increased rent subsidies for those clients who receive SSI benefits and who participate in County-administered rental assistance programs.
- No direct impact of CAPI reduction as this program is 100 percent state funded.

Conservatorship Program Suspension (Governor's Enacted Budget Summary, Page 16; SB 78)

- The Enacted Budget includes a reduction of \$17.4 million in state funding related to statutory changes making the Conservatorship and Guardianship Act of 2006 permissive at the trial court level.

Unknown County Impact

- The state has not provided enough information to determine the impact to Public Administrator/Public Guardian's office or the Public Conservator's office.

Social Service Payment Deferrals (SB 82)

- The Enacted Budget authorizes state general fund payments to be deferred starting in July 2011, October 2011 and March 2012. The deferrals can be made for no more than 60 days, 90 days and 60 days, respectively. Deferrals to counties include social services payments. This action continues the deferral plan that is currently in place.

No County Impact

Healthy Families Shift to Medi-Cal (AB 102, AB 110)

- The Enacted Budget assumes savings from the Governor's proposal to shift all children in the Healthy Families Program to the Medi-Cal Program. The Enacted Budget assumes \$22 million in savings as a result of this assumed forthcoming transition.
- No trailer bill associated with this proposal was included in the Enacted Budget package of legislation. Details of this transition are expected to be forthcoming as a bill that moves through the legislative process.

Unknown County Impact**Section 1115 Medicaid Waiver – Low-Income Health Programs (LIHP) (Governor's Enacted Budget Summary, Page 36; SB 92)**

- The Enacted Budget contains language regarding state inmate participation in the county LIHPs. This language clarifies the liability of the Department of Corrections for costs incurred by LIHPs for enrolled inmates.

Unknown County Impact

LAND USE AND ENVIRONMENT

Transportation (Governor's Enacted Budget Summary, Page 20)

- The Enacted State Budget reflects the reenactment of the transportation tax swap discussed in the January proposal (AB 105). The California State Legislature acted in March 2011 to reenact the transportation tax swap by a two-thirds vote. This reenacted the sales tax rate increase on diesel fuel and the excise tax increase, which replaced the sales tax on gasoline.

No County Impact

- Approximately \$20 million in annual local streets and road funding for the County was in jeopardy. Since the legislation passed with a two-thirds vote and has been signed into law by the Governor, local streets and road spending will not be adversely impacted.

PUBLIC SAFETY

Realignment – Transfer Court Security to Counties (Governor's Enacted Budget Summary, Page 2; Governor's Vetoes, Page 1; AB 118)

- The Enacted Budget transfers the funding of court security provided by county sheriffs to the counties supported by revenues from the Local Revenue Fund 2011. Under previous statute court security was defined as court operations, with costs covered by the Trial Court Trust Fund.
- The Governor's line item veto reduces the court security funding amount from \$497.8 million to \$496.4 million removing the May Revision expected increases in court security costs of \$2.5 million associated with a local-level parole and post-release supervision revocation process and the application of an inflation factor of 2.2 percent (\$10.7 million) to more accurately produce a baseline for FY 2011-12.

Unknown County Impact

- Allocations to counties to be determined by the State Department of Finance.

Realignment – Public Safety Programs (Governor's Enacted Budget Summary, Pages 2-6; AB 118; SB 89)

- The Enacted State Budget allocates \$489.9 million to the Local Law Enforcement Services Account to continue support for programs previously supported with the dedicated 0.15 percent of Vehicle License Fee Revenues allocated to the Local Safety Protection Account with revenues from the Local Revenue Fund 2011. These programs: Citizens Option for Public Safety (COPS) program, the Juvenile Justice Crime Prevention Act, Juvenile Probation and Camp Funding, Booking Fee Subvention and High Technology Theft Apprehension and Prosecution program administered by the California Emergency Management Agency (Cal EMA) are now included in the realignment of public safety programs from the state to local governments.

County Impact

- Funding continues to be allocated to programs in Probation, the Sheriff's Department and the District Attorney's office. These programs include Citizens Option for Public Safety (COPS) which supports jail staffing, law enforcement and prosecution activities, Juvenile Justice Crime Prevention Act, Juvenile Probation Camp Funding, Booking Fee Subvention, Vertical Prosecution and the High Technology Theft Apprehension and Prosecution Program.

- The Enacted Budget includes a Tier 1 Trigger Reduction related to the District Attorney, should projected revenues fall short of expectations. The Vertical Prosecution grant program administered by Cal EMA is currently funded with state general funds (**See Miscellaneous section of this document**).

County Impact

- If the Vertical Prosecution Program is eliminated pursuant to Tier 1 Trigger reductions, approximately \$750,000 in funding is at risk.

Realignment – Lower-Level Offenders and Parole Violators Transferred to Counties (*Governor's Enacted Budget Summary, Pages 2 and 35; AB 109; AB 117; AB 118*)

- The Enacted Budget prospectively transfers to counties, beginning October 1, 2011, the responsibility to manage low-level offenders by requiring that non-violent, non-serious, non-sex offenders serve their terms locally in jail and/or on probation. Statewide, this is estimated to include up to 26,000 offenders.
- Prospectively transfers to counties the responsibility for carrying out sanctions for certain offenders who violate state parole.

County Impact

- Approximately 2,000 offenders are estimated to remain in San Diego County annually with sentences determined by the court or be subject to parole revocation. It is not known whether sufficient revenues will be available from the Local Revenue Fund 2011 to support county responsibilities to address these offenders.

Realignment – Adult Offenders Subject to Post Release Community Supervision Transferred to Counties (*Governor's Enacted Budget Summary, Page 2; AB 109; AB 117; AB 118*)

- The Enacted Budget prospectively shifts the responsibility for supervision of offenders convicted of non-serious, non-violent crimes, regardless of previous convictions, to counties beginning October 1, 2011. Counties will assume supervisory responsibility for these offenders upon their release from state prison. Statewide, the Department of Corrections and Rehabilitation estimates counties will be responsible for about 25,000 offenders upon full implementation.

County Impact

- The transferred population will include offenders convicted of non-serious, non-violent crimes, regardless of previous convictions, and could include high risk offenders. The transferred population could include sex offenders, though high-risk sex offenders will remain under state supervision. This group of offenders currently has a 70 percent recidivism rate and will require a high level of supervision. It is not known whether sufficient revenues will be available from the Local Revenue Fund 2011 to support county responsibilities to supervise and provide services in the community if appropriate for these offenders.
- The Enacted Budget includes a separate allocation for \$12.7 million from the Local Revenue Fund 2011 designated for the district attorney and public defender responsibilities in 2011-12 associated with the local revocation process for those offenders on Post Release Community Supervision. AB 118 specifies equal distribution to the district attorney and public defender offices at the local level.

Realignment – Juvenile Justice Programs (*Governor's Enacted Budget Summary, Pages 2 & 5; AB 117; SB 92*)

- Prior budget action realigned the majority of youth offenders to counties. AB 109 proposed to end the state's role in housing and treating youth offenders who would now serve all of their sentences locally.
- Given that additional time was needed to establish a construct and contracting model to facilitate the juvenile justice piece of realignment, the Enacted Budget eliminated placeholder language that was previously enacted in AB 109, effectively removing the shift of responsibilities for the remaining youthful offenders at the Division of Juvenile Justice (DJJ).
- Future legislation is anticipated to address this remaining piece of realignment. In the meantime, if Trigger Reductions are required, SB 92 contains a provision that would require counties to pay, on an annual basis, \$125,000 per youthful offender committed to a state juvenile detention facility.
- Funding for the Youthful Offender Block Grant Program and the Juvenile Reentry Grant program currently funded by state general funds is now supported by the Local Revenue Fund 2011 with estimated statewide funding of \$97.1 million.

County Impact

No impact anticipated as the Youthful Offender Block Grant and the Juvenile Reentry Grant programs are estimated to be funded at current levels and current allocations by county will be maintained.

Realignment – Support for Courts to Conduct Post-Release Supervision Revocation Hearings (*Governor's Enacted Budget Summary, Page 16*)

- The Enacted Budget includes an increase of \$18.9 million in state general funds for court workload resulting from the shift of responsibility for post-release supervision revocation hearings from the Board of Parole to the trial courts as of October 1, 2011. The previously proposed shift of all parole revocation hearings to the trial courts is delayed until July 1, 2013.

Unknown County Impact**Realignment – Change to Community Corrections Performance Incentive Grants** (*Governor's Enacted Budget Summary, Page 36; AB 117*)

- The Enacted Budget includes an increase of \$34.2 million in state general funds (for a total of \$89.2 million) for the California Community Corrections Performance Incentive Act (SB 678, 2009).
- These funds are allocated to probation departments demonstrating success in reducing the number of adult felony probationers going to state prison due to new crimes or due to violating the terms of their probation. To date, approximately 6,200 felony probationers statewide have been successfully kept out of prison as a result of this program.

County Impact

- The anticipated San Diego County award associated with a decrease of 185 felony probationers sent to state prison is \$2.4 million; \$2.1 million is included in the County's Fiscal Year 2011-13 Proposed Operational Plan.

CAL FIRE (*Governor's Enacted Budget Summary, Page 23; SB 68; SB 87*)

- The Enacted Budget includes the previously proposed action to decrease CAL FIRE's staffing levels from four firefighters per engine to three firefighters per engine during peak fire season, returning to the pre-2003 level of per-engine staffing.
- Also includes an unspecified reduction of \$12.8 million. CAL FIRE is to identify budget savings with the lowest public safety risk. The Governor's Enacted Budget Summary suggests those savings might include reductions to winter-time staffing in Southern California.

County Impact

- In San Diego County, 18 CAL FIRE stations with up to 26 engine companies would be staffed with 3 firefighters rather than 4 firefighters.

Unknown Local Impact

- Other potential impacts from the unspecified reductions are not yet known.

State Responsibility Area (SRA) Fee (*Governor's Enacted Budget Summary, Page 23; SB 68*)

- The Enacted Budget requires the State Board of Forestry to establish a fire prevention fee, up to \$150 per structure, within state responsibility areas (SRA). When fully implemented, SRA fees will reduce state general fund expenditures by backfilling a portion of the fire protection and medical emergency response in wildland areas with fee payments from residents living in those areas.
- Governor Brown has directed the Department of Finance and CAL FIRE to work with the Legislature to identify and bring forward necessary clean-up language during this legislative session to implement the fee and realize these revenues. The Enacted Budget also includes provisional language requiring CAL FIRE to convene a working group to discuss options for future funding, realignment, and possible changes in the state's management of wildland firefighting. The working group, guided by the clean-up legislation noted above, will develop recommendations to establish a SRA fee and address relevant legal, programmatic, and implementation issues.

County Impact

- In San Diego County, 65,000 structures could be subject to the annual fire prevention fee.
- While the implementation details have not yet been established, ABX1 29 provides the amount expended to benefit the structures within a SRA shall be commensurate with the amount collected from the owners within that SRA.

Unallocated Reduction to Receiver's Medical Services Program (*Governor's Enacted Budget Summary, Page 36*)

- The Enacted Budget decreases funding by \$82.6 million in FY 2010-11 and \$163.2 million in FY 2011-12, which represent a five percent and ten percent reduction, respectively.

Unknown County Impact

Rehabilitation Services *(Governor's Enacted Budget Summary, Page 36)*

- The Enacted Budget decreases by \$101 million in State General Fund for CDCR rehabilitation services to restructure these services in light of the significant changes to CDCR's inmate population
Unknown County Impact

California Emergency Management Agency (Cal EMA) *(Governor's Enacted Budget Summary Page 17, SB 87)*

- The Enacted Budget includes a \$20 million reduction to Cal EMA funding related future disaster payment liabilities.
Unknown County Impact